



SpotLite360 IOT Solutions, Inc.

CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4 subsection 4.3 (3), if an auditor has not performed a review of the unaudited condensed interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of SpotLite360 IOT Solutions, Inc. have been prepared by and are the responsibility of management. These unaudited condensed interim financial statements for the three months ended March 31, 2023 have not been reviewed or audited by the Company's independent auditors in accordance with standards established by the Chartered Professional Accountants of Canada.

SpotLite360 IOT Solutions, Inc.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

As at,	Notes	March 31, 2023	December 31, 2022
Assets			
Current Assets			
Cash		\$ 236,737	\$ 24,609
Accounts receivable		17,123	323
Inventory		101,498	101,580
Prepaid expenses	5	6,975	200
Loan receivable - related party	7	94,625	94,702
Total Current Assets		456,958	221,414
Non-Current Assets			
Equipment	6	7,727	9,121
Disposal group	4	-	3,116,241
Total Assets		\$ 464,685	\$ 3,346,776
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	11	\$ 697,354	\$ 761,158
Loan payable – related party	9, 11	73,709	73,769
Consideration payable	3	-	311,796
Disposal group	4	-	1,766,486
Total Current Liabilities		771,063	2,913,209
Disposal group	4	-	137,908
Total Liabilities		771,063	3,051,117
Shareholders' Equity			
Share capital	10	15,629,289	15,062,271
Reserves		2,221,568	2,214,902
Non-controlling interest	8	-	1,872,785
Accumulated other comprehensive loss		418,126	420,047
Deficit		(18,575,361)	(19,274,346)
Total Shareholders' Equity (Deficit)		(306,378)	295,659
Total Liabilities and Shareholders' Equity (Deficit)		\$ 464,685	\$ 3,346,776

Approved and authorized by the Board on May 30, 2023.

"Billy Joe Page" (signed)
Billy Joe Page, Director

"Gene McConnell" (signed)
Gene McConnell, Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

SpotLite360 IOT Solutions, Inc.

Condensed Interim Consolidated Statements of Income (Loss)

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

		Three Months Ended	
	Notes	March 31, 2023	March 31, 2022
Revenue		\$ -	\$ -
Cost of sales		-	(63,074)
Gross (Loss)		-	(63,074)
Expenses			
Amortization	6	\$ 1,386	\$ 210,279
Consulting fees and marketing	11	128,107	459,239
Filing fees and corporate services		29,347	103,247
Foreign exchange		529	-
Office expenses		34,199	26,757
Professional fees		95,894	52,300
Rent		678	5,450
Salaries		58,419	145,646
Share-based compensation	10,11	-	101,794
Total expenses		\$ (348,559)	\$ (1,104,712)
Loss before other items for the year		\$ (348,559)	\$ (1,167,786)
Gain on loss of control of subsidiary	3	660,938	-
Gain on settlement of debt	3	413,040	-
Interest expense		-	(3,421)
Loss on settlement of debt	10	(26,434)	-
Transaction costs	3	-	(184,875)
Net income (loss) from continuing operations, net of tax		\$ 698,985	\$ (1,356,082)
Gain from discontinued operations		-	807,918
Net income (loss)		\$ 698,985	\$ (548,164)
Net income (loss) attributable to:			
Non-controlling interests in discontinued operations	8	\$ -	\$ 309,382
Shareholders of SpotLite360 IOT Solutions, Inc.:			
- Continuing operations		698,985	(1,665,463)
- Discontinued operations		-	807,917
		698,985	(857,546)
Net income (loss)		\$ 698,985	\$ (548,164)
Net income (loss) per share attributable to Shareholders of SpotLite360 IOT Solutions, Inc.:			
Basic and diluted income (loss) from continuing operations	10	0.01	(0.03)
Basic and diluted income (loss) from discontinued operations	10	-	0.02
Basic and diluted total income (loss) per share		0.01	(0.01)
Weighted average number of common shares outstanding	10	113,272,770	56,043,334

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

SpotLite360 IOT Solutions, Inc.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

		Three Months Ended	
	Notes	March 31, 2023	March 31, 2022
Net Income (Loss)		\$ 698,985	\$ (548,164)
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations from continuing operations		(1,921)	3,531
Exchange differences on translation of foreign operations from discontinued operations		-	(8,665)
Total other comprehensive income (loss)		\$ 697,064	\$ (553,298)
Total comprehensive loss attributable to:			
Non-controlling interests	8	-	309,382
Shareholders of SpotLite360 IOT Solutions, Inc.:			
- Continuing operations		697,094	(1,661,933)
- Discontinued operations	4	-	799,253
Total comprehensive income (loss)		697,094	(553,298)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

SpotLite360 IOT Solutions, Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

	Share Capital		Reserves	Accumulated Other Comprehensive Loss	Non- controlling interest	Deficit	Total
	Number of Common Shares	Amount					
Balance at December 31, 2021	54,813,601	\$ 9,191,463	\$ 1,840,985	\$ (19,965)	\$ -	\$ (5,182,675)	\$ 5,829,808
Shares issued – Private placements	17,640,725	1,764,073	-	-	-	-	1,764,073
Cash share issuance costs	-	(138,740)	-	-	-	-	(138,740)
Non-cash share issuance cost	-	(93,829)	93,829	-	-	-	-
Shares issued for E3	20,000,000	1,764,968	-	-	1,273,753	-	3,038,721
Transaction costs	1,320,525	184,875	-	-	-	-	184,875
Shares issued upon the exercise of options	2,900,000	519,056	(374,056)	-	-	-	145,000
Share-based compensation	-	-	101,794	-	-	-	101,794
Foreign currency translation adjustment	-	-	-	(5,134)	-	-	(5,134)
Net loss for the period	-	-	-	-	309,382	(857,546)	(548,164)
Balance at March 31, 2022	96,674,851	\$ 13,191,866	\$ 1,662,552	\$ (25,099)	\$ 1,583,135	\$ (6,040,221)	\$ 10,372,233
Balance at December 31, 2022	116,077,976	\$ 15,062,271	\$ 2,214,902	\$ 420,047	\$ 1,872,785	\$ (19,274,346)	\$ 295,659
Shares issued – Private placements	5,000,000	500,000	-	-	-	-	500,000
Non-cash share issuance cost	-	(6,666)	6,666	-	-	-	-
Return and cancellation of shares	(11,687,500)	-	-	-	-	-	-
Shares issued to settle debt	736,842	73,684	-	-	-	-	73,684
Derecognition of non-controlling interests due to loss of control of E3	-	-	-	-	(1,872,785)	-	(1,872,785)
Foreign currency translation adjustment	-	-	-	(1,921)	-	-	(1,921)
Net income for the period	-	-	-	-	-	698,985	698,985
Balance at March 31, 2023	110,127,318	\$ 15,629,289	\$ 2,221,568	\$ 418,126	\$ -	\$ (18,575,361)	\$ (306,378)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

SpotLite360 IOT Solutions, Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

	Three months ended	
	March 31, 2023	March 31, 2022
Operating activities		
Net income (loss) for the year	\$ 698,985	\$ (548,164)
Non-cash interest expense	-	295
Amortization	1,386	248,590
Gain on settlement of debt	(413,040)	-
Gain on loss on control of subsidiary	(660,938)	-
Loss on settlement of debt	26,434	-
Share-based compensation	-	101,794
Non-cash transaction costs	-	184,875
Changes in non-cash working capital items:		
Accounts receivable	(16,800)	(847,087)
Prepaid expenses	(6,775)	146,924
Accounts payable and accrued liabilities	84,690	29,057
Net cash flows used in operating activities	\$ (286,058)	\$ (683,716)
Investing activities		
Cash disposed of on loss of control of E3	\$ (169,701)	\$ -
Cash paid to acquire E3	-	(644,175)
Cash acquired from acquisition of E3	-	267,557
Net cash used in investing activities	\$ (169,701)	\$ (376,618)
Financing activities		
Proceeds from exercise of stock options	\$ -	\$ 145,000
Net proceeds from issuance of shares – private placement	500,000	1,625,333
Net cash received from financing activities	\$ 500,000	\$ 1,770,333
Foreign exchange on cash	(1,814)	(34,308)
Change in cash	42,427	675,691
Cash, beginning of the year	194,310	268,460
Cash, end of the year	\$ 236,737	\$ 944,151
Other supplementary information:		
Interest paid	\$ -	\$ -
Taxes paid	-	-
Fair value of shares issued to acquire E3	-	1,764,968

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

1. Nature and going concern

SpotLite360 IOT Solutions Inc. (the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on September 23, 2014. The Company is focused on providing a software-as-a-service based asset management and a supply chain execution platform which leverages blockchain and a broad array of Internet of Things technologies.

Effective June 4, 2021, the Company changed its name from 1014379 B.C. Ltd. to Spotlite360 Technologies Inc. Effective August 24, 2021, the Company changed its name from Spotlite360 Technologies Inc. to SpotLite360 IOT Solutions Inc. The Company’s principal address, records office and registered address are located at Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company is in the development stage and currently does not have significant cash from operations. Further funds will be required to successfully develop the Company’s business and there is no certainty that these funds will be available. As at March 31, 2023, the Company has a working capital deficit of \$314,105 (December 31, 2022 – \$2,691,795) and for the period ended March 31, 2023, the Company incurred a net income of \$698,985 (2022 – net loss \$548,164). A different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations and ultimately achieve profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

2. Statement of compliance and significant accounting policies

These unaudited condensed interim consolidated financial statements were authorized for issue on May 30, 2023 by the directors of the Company.

Statement of compliance

These unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

These unaudited interim consolidated financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2022.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies have been applied consistently to all periods presented.

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

2. Statement of compliance and significant accounting policies (cont'd)

Basis of presentation

The consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the Company's functional currency, the functional currency of the Company's subsidiaries is the US Dollar.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Control occurs when the Company is exposed to, or has the right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation. Details of controlled entities are as follows:

Name	Jurisdiction of incorporation	March 31, 2023	December 31, 2022
Captios, LLC	US	100%	100%
E3 Service Group, LLC.	US	0%	51%
Reti Capital Corp. (Inactive)	US	100%	100%
Spotlite360, Inc.	US	100%	100%

The functional currency of Captios, LLC, E3 Services Group, LLC, and Spotlite360, Inc. is the US Dollar. The assets and liabilities of these entities are translated into Canadian dollars using the period-end exchange rate and the operations and cash flows are translated using the average rates of exchange over the period. Exchange differences arising when net assets and profit or loss are translated into Canadian dollars are recognized in other comprehensive loss and as a component of shareholder's equity.

On January 13, 2023, the Company lost control of E3, and in February 2023, the Company terminated its agreement and relationship with E3. As a result of the loss of control, the Company derecognized all assets and liabilities at their book values on January 13, 2023 (Note 3), and E3's results have been classified as discontinued operations (Note 4).

Significant accounting judgments, estimates and assumptions

In preparing these condensed interim consolidated financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited condensed interim consolidated financial statements for the year ended December 31, 2022.

Loss of control of subsidiary

On January 13, 2023, the Company failed to make the remaining payment owed (Note 3) for the acquisition of its 51% owned subsidiary, E3 Service Group, LLC. ("E3"). Management concluded that the Company ceased to have the power to direct the relevant activity of E3 on this date. As a result, the Company accounted for a loss in control and E3 was deconsolidated on January 13, 2023 (Note 3).

New standards adopted

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

3. Acquisition of E3

Acquisition of E3:

On March 9, 2022, the Company acquired 51% equity interest in E3 Services Group, LLC (“E3”). E3 is an arm’s length engineering firm operating in the agricultural and cannabis industry. Control of E3 was lost on January 13, 2023, as described below. The terms of the consideration is described below:

- Cash of US \$500,000 upon closing of the transaction (Paid);
- Cash of US \$500,000 one year from date of closing. During the year ended December 31, 2022, \$334,876 (US \$269,790) of the US \$500,000 was paid via the application of the Company’s portion of a dividend declared by E3 as discussed in Note 8. The Company failed to pay the remaining \$311,796 (US \$230,210).;
- Issue 20,000,000 common shares with a fair value of \$1,764,968 (“Consideration Shares”) (Issued).

Upon achieving certain performance-based milestones over the 12 months following the closing E3 also has the opportunity to earn up to 3,000,000 warrants (each a “Warrant”). None of the 3,000,000 Warrants vested and the Warrants were cancelled during the three months ended March 31, 2023.

In connection with the closing of the acquisition, the Company issued 1,320,525 common shares with a fair value of \$184,875 as a finder’s fee, which has been expensed to the statement of loss as transaction costs.

E3 had inputs, as well as substantial processes in place to generate outputs. As a result, the acquisition of E3 constituted a business combination as E3 met the definition of a business under IFRS 3 - Business Combinations.

Purchase price:	\$
Cash	644,175
Consideration payable	614,920
Consideration shares	1,764,968
Total consideration paid to acquire 51% interest	3,024,063
Net assets acquired	
Cash	267,557
Accounts receivable	81,542
Prepays	918,731
Property plant and equipment	476,820
Intangible assets (Customer Relationships)	2,692,410
Right-of-use asset	71,930
Accounts payable	(71,703)
Deferred revenue	(1,767,699)
Lease liability	(71,930)
Net assets acquired	2,597,658
Net assets acquired attributable to the Company	1,324,806
Non-controlling interest (Note 8)	1,272,852
	2,597,658
Goodwill attributable to the Company	1,699,257

The Company determined that E3’s business objectives were synergistic with the Company’s business plans and objectives. Goodwill consists of certain key individuals and the future economic potential of E3.

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

3. Acquisition of E3 (Continued)

The fair value of the intangible asset was determined using the income approach. Key estimates used to determine the fair value the acquired intangible asset and goodwill include the amount and timing of projected future cash flows, and the discount rate used to determine the present value of these cash flows. The discount rate used to measure the intangible asset was 18%. At December 31, 2022, the Company recorded an impairment of intangible assets acquired as part of the E3 acquisition of \$2,254,248 and goodwill associated with the acquisition of E3 of \$1,699,257.

Loss of control of E3

On January 13, 2023, the Company determined that it no longer controlled E3 as a result of the failure to make the remaining acquisition payment. As a result of the loss of control, the Company derecognized all assets and liabilities at their book values on January 13, 2023 and wrote down all balances receivable from the entity to \$nil. During the period ended March 31, 2023, the Company recorded a gain on loss of control of E3 of \$660,938, which included \$169,701 of cash held by E3.

The assets, liabilities and gain on loss of control of E3 after deconsolidation are presented below:

	\$
Assets	
Cash	\$ 169,701
Accounts receivable	1,992,219
Prepaid expenses	247,354
ROU asset	185,654
Equipment	521,313
Total Assets	3,116,241
Liabilities	
Accounts payable	\$ 1,424,886
Loans payable	75,846
Deferred revenue	205,114
ROU liability	60,640
Current liabilities	\$ 1,766,486
ROU Liability LT	137,908
Total Liabilities	1,904,394
Total	1,211,847
Non-controlling interest	(1,872,785)
Gain on loss of control of subsidiary	(660,938)

In February 2023, the Company entered into a settlement and release agreement. As part of the settlement and release agreement, E3 members have agreed to return the Consideration Shares to the Company for cancellation in exchange for the return of its 51% equity interest in E3. Upon the entering into the settlement and release agreement the Company terminated its relationship with E3 and the Company has no equity interest in E3.

As part of the settlement and release agreement, the Company agreed to pay \$47,508 of accrued salaries. An additional \$148,752 of accrued salaries payable as well as the remaining consideration owing as part of the purchase agreement of E3 of \$311,796 was forgiven. Upon making the required payments and the settlement of the liabilities the Company recorded a gain on settlement of debt of \$413,040.

On February 3, 2023, 11,687,500 shares were returned and cancelled, and on May 12, 2023, an additional 4,612,500 shares were returned for cancellation. In accordance with IAS 32, the Company valued the returned shares at the cost paid to acquire them which was \$Nil and the Company did not record a gain or loss on the repurchase of its own common shares.

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

4. Discontinued operations

In February 2023, the Company terminated its agreement and relationship with E3. As described in Note 3, the Company entered into an agreement with the shareholders of E3 in March 2022 to acquire a 51% equity stake in E3. Given the capital-intensive nature of the existing contracts and the challenges of implementing E3's business into the Company's core business, the Company determined in fiscal 2022 that it would be discontinuing the operations.

The following table summarizes the assets and liabilities in the disposal group:

	At	
	March 31, 2023	December 31, 2022
Assets		
Cash	\$ -	\$ 169,701
Accounts receivable	-	1,992,219
Prepaid expenses	-	247,354
ROU asset	-	185,654
Equipment	-	521,313
Total assets of the disposal group	-	3,116,241
Liabilities		
Accounts payable	\$ -	\$ 1,424,886
Loans payable	-	75,846
Deferred revenue	-	205,114
ROU liability	-	198,548
Total liabilities of the disposal group	\$ -	\$ 1,904,394
Current liabilities	-	(1,766,486)
Non-current liabilities	\$ -	\$ 137,908

The net loss from discontinued operations for the three months ended March 31, 2023, and 2022 are presented below:

	Three months Ended	
	March 31, 2023	March 31, 2022
Revenue	\$ -	\$ 994,203
Cost of sales	-	(26,062)
Gross margin	-	968,141
Expenses		
Amortization	\$ -	\$ 38,311
Consulting fees and marketing	-	1,810
Interest expense	-	-
Office expenses	-	46,076
Salaries	-	74,027
Total expenses	\$ -	\$ 160,224
Net loss from discontinued operations	\$ -	\$ 807,917

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

4. Discontinued Operations (Continued)

The consolidated statements of cash flows for the three months ended March 31, 2022 were not restated to present the cash flows from the discontinued operations separately as the Company elected to provide this information in the present note. The cash flows from the discontinued operations of E3 subsidiaries for the three months ended March 31, 2023 and 2022 are presented in the following table:

	Three months ended	
	March 31, 2023	March 31, 2022
Cash flows from operating activities	\$ -	\$ (180,488)
Cash flows used in financing activities	-	-
Cash flows from investing activities	-	-
Net effects of currency exchange rate on cash	-	160
Cash flows used during the period	\$ -	\$ (180,328)

5. Prepaid Expenses

	March 31, 2023	December 31, 2022
	\$	\$
Office expenses	6,975	200
Total	6,975	200

6. Equipment

	Computer Equipment \$
Cost	
Balance, December 31, 2021	15,588
Foreign exchange	1,065
Balance, December 31, 2022	16,653
Foreign exchange	(14)
Balance, March 31, 2023	16,639
Accumulated amortization	
Balance, December 31, 2021	(1,784)
Amortization	(5,405)
Foreign exchange	(343)
Balance, December 31, 2022	(7,532)
Amortization	(1,386)
Foreign exchange	6
Balance, March 31, 2023	(8,912)
Net book values	
December 31, 2022	9,121
March 31, 2023	7,727

At December 31, 2022, the Company reclassified equipment with a cost of \$859,957 and accumulated depreciation of \$202,846 to assets classified as held for sale.

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

7. Loans Receivable – Related Party

At March 31, 2023, the Company had advanced \$94,625 (December 31, 2021 - \$56,951) to TrackX Holdings, Inc. (“TrackX”) a related company through common management. The loan is non-interest-bearing and due on demand.

8. Non-Controlling Interest

The Company held a 51% interest in E3 during the year ended December 31, 2022. During the three months ended March 31, 2023 the Company lost control of E3. As a result, E3’s results have been classified as discontinued operations. The summarized statements of financial position for E3, and the summarized statements of operations for E3 are provided below. This information is based on amounts before inter-company eliminations. The summarized statements of financial position for E3 are as follows:

	At	
	March 31, 2023	December 31, 2022
Total current assets	\$ -	\$ 2,409,274
Non-current assets	-	706,967
Total current liabilities	-	(1,766,486)
Non-current liabilities	-	(137,908)

Summarized statement of operations of E3:

	Three months Ended	
	March 31, 2023	March 31, 2022
Revenue	\$ -	\$ 994,203
Cost of sales	-	(26,062)
Amortization	-	(38,311)
Administrative expenses	-	(121,913)
Net income and comprehensive income	\$ -	\$ 807,917

The cash flows of the subsidiary are as follows:

	Three months ended	
	March 31, 2023	March 31, 2022
Cash flows from operating activities	\$ -	\$ (180,488)
Cash flows used in financing activities	-	-
Cash flows from investing activities	-	-
Net effects of currency exchange rate on cash	-	160
Cash flows generated during the year	\$ -	\$ (180,328)

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

8. Non-Controlling Interest (Continued)

The net change in non-controlling interest is as follows:

	E3
Balance, December 31, 2021	-
Additions, via business acquisition (Note 3)	1,272,852
Dividends paid to NCI ⁽¹⁾	(334,876)
Net income attributable to NCI	934,809
Balance, December 31, 2022	1,872,785
Loss of control of subsidiary	(1,872,785)
Balance, March 31, 2023	-

(1) During the year ended December 31, 2022, E3 declared a dividend of \$683,420. The NCI portion of the dividend was \$334,876.

9. Loans Payable

At March 31, 2023, the Company owed a principal loan of \$73,709 (USD\$56,000) to an unrelated party (December 31, 2022 - \$73,769). The loan is unsecured, non-interest bearing and due on demand.

10. Share Capital

Authorized share capital

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

Shares issued during the three months ended March 31, 2023:

On January 20, 2023, the Company closed an offering of 5,000,000 units of the Company (the "Offer Units") at a price of \$0.10 per Offer Unit for gross proceeds of \$500,000. Each Offer Unit consisted of one common share and of one common share purchase warrant, exercisable to purchase an additional common share for a period of two years from closing at a price of \$0.12. In connection with the private placement, the Company issued 120,000 finder warrants with the same terms as the warrants described above. The fair value of the finder warrant was measured using the Black-Scholes option pricing model with a fair value of \$6,666 with the following assumptions: stock price - \$0.10; exercise price - \$0.12; expected life - 2 years; volatility - 114%; dividend yield - Nil; and risk-free rate - 3.59%.

On January 27, 2023, the Company issued 736,842 shares of the Company with a fair value of \$73,684 to settle \$47,250 of debt. The Company recorded a loss on settlement of debt of \$26,434.

As described in Note 3, on February 3, 2023, 11,687,500 shares issued as part of the acquisition of E3 were returned and cancelled.

Shares issued during the three months ended March 31, 2022:

During the three months ended March 31, 2022, the Company issued 2,900,000 common shares pursuant to option exercises for gross proceeds of \$145,000. The Company transferred \$374,056 from reserves to share capital.

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10. Share Capital (Continued)

On February 22, 2022, the Company completed a non-brokered private placement of 17,640,725 units at a price of \$0.10 per share, for gross proceeds of \$1,764,073. Each unit consists of one common share of the Company and one-half of one transferable share purchase warrant (with two half warrants being a “Warrant”). Each whole Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.15 per share for a period of three years. In connection with the private placement, the Company paid finder’s fees consisting of \$85,380 cash commission, \$53,360 in accounting and legal fees and 853,800 finder warrants with the same terms as the Warrants described above. The fair value of the finder warrant was measured using the Black-Scholes option pricing model with a fair value of \$93,829 with the following assumptions: stock price - \$0.17; exercise price - \$0.15; expected life – 3 years; volatility – 100%; dividend yield – Nil; and risk-free rate – 1.61%.

On March 9, 2022, the Company issued 20,000,000 common shares with a fair value of \$1,764,968 pursuant to the acquisition of E3 (Note 3). In conjunction with the acquisition of E3, the Company issued 1,320,525 finder common shares with a fair value of \$184,875.

b) Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the requirements of the Exchange, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to ten years from the date of grant.

No stock options were issued during the three months ended March 31, 2023:

Stock options issued during the three months ended March 31, 2022:

On March 4, 2022, the Company granted an aggregate of 500,000 stock options to an officer. Each option is exercisable to acquire one common share of the Company at the price of \$0.15 per share for a period of ten years from grant. An initial 71,500 Options vest immediately, and the remaining options will vest in five equal tranches every six-month period thereafter. The total grant date fair value of the options was measured at \$67,343. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - \$0.15; exercise price - \$0.15; expected life – 10 years; volatility – 100%; dividend yield – \$0; and risk-free rate – 2.16%. During the period ended March 31, 2023, the Company recognized sharebased compensation of \$Nil (2022 - \$31,627).

The following is a summary of the Company’s option activity for the three months ended March 31, 2023 and year ended December 31, 2022:

	Number of Options
Outstanding, December 31, 2021	9,350,000
Granted	500,000
Exercised	(2,900,000)
Outstanding, December 31, 2022	6,950,000
Expired	(950,000)
Outstanding, March 31, 2023	6,000,000

During the the three months ended March 31, 2023, no stock options were exercised (2022 - 2,900,000). The weighted average share price for options exercised during the period ended March 31, 2022 was \$0.05.

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10. Share Capital (Continued)

The weighted average remaining contractual life of the options outstanding at March 31, 2023, is 3.21 years (December 31, 2022 – 4.63) and the details of options outstanding as at March 31, 2023 are as follows:

Exercise price	Options outstanding	Options exercisable	Expiry date
\$0.25	6,000,000	6,000,000	June 14, 2026
Total	6,000,000	6,000,000	

The details of options outstanding as at December 31, 2022 are as follows:

Exercise price	Options outstanding	Options exercisable	Expiry date
\$0.25	6,000,000	6,000,000	June 14, 2026
\$0.05	450,000	225,000	September 30, 2031
\$0.15	500,000	166,667	March 4, 2032
Total	6,950,000	6,391,667	

b) Warrants

The weighted average remaining contractual life of the warrants outstanding at March 31, 2023, is 1.38 years (December 31, 2022 – 1.34). As at March 31, 2023, the Company had warrants outstanding and exercisable enabling holders to acquire the following:

Number of Warrants Issued	Number of Warrants exercisable	Exercise Price	Expiry Date
10,792,400	10,792,400	\$0.75	April 20, 2023
9,674,163	9,674,163	\$0.15	February 22, 2025
1,855,000	1,855,000	\$0.20	September 23, 2024
5,120,000	5,120,000	\$0.12	January 20, 2023
27,441,563	27,441,563		

The details of warrants outstanding as at December 31, 2022 are as follows:

Number of Warrants Issued	Number of Warrants exercisable	Exercise Price	Expiry Date
10,792,400	10,792,400	\$0.75	April 20, 2023
9,674,163	9,674,163	\$0.15	February 22, 2025
3,000,000	-	\$0.20	March 9, 2025
1,855,000	1,855,000	\$0.20	September 23, 2024
25,321,563	22,321,563		

A summary of the status of the Company's warrants for the three months ended March 31, 2023 and year ended December 31, 2022:

	Number of warrants Issued	Weighted Average Exercise Price
Balance, December 31, 2021	10,792,400	0.75
Issued	14,529,163	0.17
Balance, December 31, 2022	25,321,563	0.42
Expired	(3,000,000)	0.20
Issued	5,120,000	0.12
Balance, March 31, 2023	27,441,563	0.38

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10. Share Capital (Continued)

c) Restricted Stock Units

The following is a summary of the Company's Restricted Stock Unit activity for the three months ended March 31, 2023 and year ended December 31, 2022:

	Number of Restricted Stock Units	
	Outstanding	Exercisable
Outstanding, December 31, 2021	700,000	175,000
Granted	3,250,000	
Cancelled	(700,000)	
Exercised	(1,000,000)	
Outstanding, December 31, 2022 and March 31, 2023	2,250,000	2,250,000

The Company adopted a Restricted Stock Unit ("RSU") plan ("RSU Plan"). The purpose of the RSU Plan is to secure for the Company and its shareholders the benefits of incentive inherent in share ownership by certain directors, officers, other key employees and consultants of the Company ("Participants") who, in the judgment of the Board, will be responsible for its future growth and success. RSUs granted pursuant to this RSU Plan will be used to compensate Eligible Persons who have forgone salary to assist the Company in cash management in exchange for the grant of RSUs and incentive stock options under the Company's stock option plan.

Under the terms of the plan, RSU's are granted to Participants and the RSUs expire the earlier of 5 years from the date of vesting of the RSU and 10 years from the grant date. Each RSU gives the Participant the right to receive one common share of the Company. The aggregate number of common shares that may be reserved for issuance, at any time, under this Plan and under any other share compensation arrangement adopted by the Company, including the Company's incentive stock option plan, shall not exceed up to a maximum of 20% of the issued and outstanding Shares at the time of grant pursuant to awards granted under all share compensation plans.

Any common shares subject to a RSU which has been granted under the RSU Plan and which is cancelled or terminated in accordance with the terms of the RSU Plan without being paid out in common shares as provided for in this RSU Plan shall again be available under the RSU Plan.

The Company uses the fair value method to recognize the obligation and compensation expense associated with the RSU's. The fair value of RSU's issued is determined on the grant date based on the market price of the common shares on the grant date multiplied by the number of RSUs granted and taking into account market conditions. The fair value is expensed over the vesting term. Upon conversion of the RSU, the carrying amount is recorded as an increase in common share capital and a reduction in the share-based payment reserve.

During the period ended March 31, 2023, the Company recognized \$Nil (2022 - \$70,167) relating to the vested portion of the RSUs.

c) Reserve

The share-based payment reserves record items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

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10. Share Capital (Continued)

Net income per share

	Three months ended	
	March 31, 2023	March 31, 2022
	\$	\$
Net income (loss) attributable to common shareholders from continuing operations	698,985	(1,665,464)
Net income (loss) attributable to common shareholders from discontinued operations	-	807,917
Total income (loss) for the year attributable to common shareholders for basic earnings and diluted earnings per share	698,985	(548,165)
Basic weighted average number of common shares outstanding	113,272,770	56,043,334
Effect of dilutive securities:		
Stock options	-	-
Warrants	-	-
Diluted weighted average number of common shares outstanding	113,272,770	56,043,334
Basic net income (loss) per common share from continuing operations	0.01	(0.03)
Diluted income (loss) per common share from continuing operations	0.01	(0.03)
Basic net income (loss) per common share from discontinued operations	-	0.02
Diluted income (loss) per common share from discontinued operations	-	0.02
Basic and diluted total loss per share	0.01	(0.01)

11. Related party transactions

The Company considers its related parties to comprise directors, officers, companies controlled by directors and officers and companies with common directors. The key management compensation and fees consist of the following for the periods ended March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
Professional, corporate and interest charged by a company controlled by a former director	\$ 25,694	\$ 225,963
Expenses incurred to a company with common management	65,736	58,641
Management compensation	76,084	134,801
	\$ 167,514	\$ 419,405

Included in professional fees are \$7,350 (2022 – \$154,642) and corporate services \$18,344 (2022 - \$71,025) for services by a company controlled by a former director of the Company.

During the three months ended March 31, 2023, the Company recorded \$Nil (2022 - \$101,794) of stock-based compensation to related parties.

As at March 31, 2023, there was \$268,089 (December 31, 2022 - \$339,382) included in accounts payable and accrued liabilities owing to related parties. The balances are unsecured, payable on demand and non-interest bearing.

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11. Related party transactions (Continued)

At March 31, 2023, the Company had advanced \$94,625 (December 31, 2022 - \$94,701) to TrackX a related company through common management. The loan was non-interest-bearing and due on demand. These amounts are non-interest bearing and due on demand.

12. Financial instruments and risk management

The Company's financial instruments consist of cash, accounts receivable, loan receivable, accounts payable and accrued liabilities, and loans payable. Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of hierarchy are:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments classified as level 1 – include cash.

The estimated fair value of accounts receivable, loan receivable, accounts payable and accrued liabilities, and loans payable approximate their carrying values due to the short-term nature of these instruments.

The Company's risk exposure and the impact on the Company's financial instruments is summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash. The Company limits exposure to credit risk through maintaining its cash with high-credit quality Canadian financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Amounts receivable consists of trade receivables. To reduce the credit risk of amounts receivable, the Company regularly reviews the collectability of the amounts receivable to ensure there is no indication that these amounts will not be fully recoverable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company has funds of \$236,737 (December 31, 2022 – \$24,609) to satisfy its current financial obligations of \$771,063 (December 31, 2022 - \$2,913,209). The Company will be required to raise additional financing to settle its financial obligations and to continue further execution of its business plan.

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12. Financial instruments and risk management (Continued)

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs expenditures that are denominated in United States dollar, while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The Company's cash is held in Canadian dollars and the US Dollar. Some of the Company's operating expenses were denominated in the US Dollar. The Company managed its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts to offset foreign currency payables where possible. Management relied on the natural hedge created by this matching process and thus has chosen not to otherwise hedge its foreign exchange risk. Foreign exchange risk is assessed as low as March 31, 2023.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's sensitivity to interest rates is minimal.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of shareholders' equity.

The Company's primary source of funds comes from the issuance of capital stock.

The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid. There were no changes in the Company's capital risk management approach from the year ended December 31, 2022.

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13. Segmented information

The Company operates within two geographic areas, Canada and U.S.

	Canada	U.S.	Total
	\$	\$	\$
Period ended March 31, 2023			
Revenue	-	-	-
Net income from continuing operations	743,940	(44,955)	698,985
Period ended March 31, 2022			
Revenue	-	-	-
Net loss from continuing operations	(737,824)	(618,258)	(1,356,082)
As at March 31, 2023			
Total non-current assets	-	7,727	7,727
As at December 31, 2022			
Total non-current assets	-	9,121	9,121

14. Subsequent events

- a) In February 2023, the Company terminated its agreement with E3 as described in Note 3. On May 12, 2023, 4,612,500 shares were returned for cancellation and 3,700,000 shares have not yet been returned.
- b) Subsequent to March 31, 2023, 10,792,400 warrants exercisable at \$0.75 expired unexercised.